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SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

Summary

¶1. (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

- ¶A. Tunisia and Algeria Trade Agreement
- ¶B. Gulf Investments
- ¶C. Europe Submarine Internet Cable Deal
- ¶D. Indian Company Fertilizer Plant
- ¶E. Unemployment Increase

Tunisia and Algeria Sign Preferential Trade Agreement

¶2. (U) On March 25, the Tunisian Parliament ratified a bilateral preferential trade agreement with Algeria. The agreement is intended to develop trade and facilitate bilateral investment. It provides duty free access for industrial goods but excludes agricultural products, for which negotiations have been postponed until 2014. The GOT and Algeria are paving the way for a free trade zone, which would be Tunisia's third FTA with a Maghreb country (following Libya, signed June 14, 2001 and Morocco, signed March 16, 1999).

¶3. (SBU) An FTA with Algeria would likely boost Tunisian business presence in Algeria. According to Tunisian business contacts, there are already over thirty Tunisian companies operating there in the manufacturing sector alone. They include cookie producer Sotuba, chemical company Alkimia, Carthago Ceramic, Tunisian Profile Aluminum, and Altea Packaging Group, among others. The services sector also has significant Tunisian presence, especially business services and banking. According to the media, the Tunisian Amen Bank will soon establish a subsidiary in Algeria with a capital of TND 50 million (US \$36.3 million), of which 55 percent will be held by the Tunisian bank.

Gulf Investments - Some Up, Others Down

¶4. (SBU) The Gate of the Mediterranean project, a new US \$25 billion construction development that Sama Dubai, a subsidiary of Dubai Holding Group, was expected to build on the Tunis South Lake shores,

appears to have stopped in its tracks. In March, local media reported that Sama Dubai and one of its joint venture partners, British company EC Harris, decided to disband. Sama Dubai's other Tunisian entity, Med Gate Development, was not officially closed but is not showing any signs of life. According to an economic analyst, Sama Dubai's operations in Morocco are also halted, and the likelihood that the project will continue in view of the global economic crisis is low.

15. (U) Conversely, the Abu Dhabi National Energy Company, TAQA, is currently in the planning stages of construction of a 350-500 megawatt combined cycle gas power plant in Bizerte (northern Tunisia). Despite the waning state of other Gulf investments, TAQA's MENA Region Manager Majid Iraqui is quoted in the press as saying that his company has enough surplus cash to finance the equity component of this year's planned projects. TAQA is also planning to develop projects in Morocco.

Tunisia-Europe Submarine Internet Cable Deal

16. (U) On March 26, Tunisie Telecom signed a contract with Interoute Communications, a fiber optic network company based in London, to lay submarine cable linking North Africa to Interoute's pan-European fiber optic network. The cable, due to connect in Sicily in October, would give Tunisia ownership over the entirety of its internet traffic grid, which now relies on consortium-owned subsea cables such as SEAMEWE 4. The project will be comprised of 170 km of unrepeat fiber optic cable run from Kelibia, to Interoute's landing station in Mazara del Vallo, Sicily. From Sicily the cable will link into 24 networked countries and offer 3.2 Tera-bits Per Second of capacity.

17. (SBU) Tunisia Telecom and Interoute have signed deals in the past, and Dubai Holding owns shares in both companies. In 2007, Tunisie Telecom finalized a deal with Interoute to provide two-way SDH connectivity and VoIP services from any location in Tunisia to any port on Interoute's entire Next Generation network. Although Interoute's majority shareholder is the Sandoz family Foundation, based in Switzerland, Dubai Holding invested 125 million Euro (US \$156 million) in Interoute at the end of 2005. Dubai Holding then acquired Tunisie Telecom on March 2006 for US \$2.25 billion.

18. (SBU) Note: The new cable will allow simultaneous streaming of 4 million videos. End Note.

Indian Company to Build Fertilizer Plant

19. (U) On March 24, the Tunisian-Indian Fertilizers Company (TIFC), the Islamic Development Bank and the European Investment Bank signed a US \$316 million loan agreement to finance the TIFC chemicals production unit project, located in Skhira (southeastern Tunisia). The agreement involves two state-owned Tunisian companies (Compagnie des Phosphates de GAFSA) and Groupe Chimique Tunisien), and two Indian partners (Coromandel Fertilizers Ltd and Gujarat State Fertilizers and Chemicals Ltd.), who will extract phosphate rock, process it into fertilizer, and sell it in India over the next 30 years.

110. (U) The project's goal is to construct and operate a phosphoric acid production plant with a capacity of 360,000 metric tons per year. Currently, Tunisia produces approximately 1 million metric tons of phosphoric acid per year. All production will be exported to India through long-term purchasing contracts signed by the two Indian project partners, who will supply their fertilizer plants with the product. The new plant will be established alongside an existing phosphoric acid plant in Skhira. The project is expected to generate substantial export earnings, tax revenues and employment for the region.

GOT Says Unemployment Increased 0.17 Percent

111. (U) According to official figures released by the Central Bank,

unemployment increased 0.17 percent year on year from 2007 to 2008, reaching an overall rate of 14.2 percent.

¶12. (SBU) Comment: The GOT has traditionally been reluctant to unveil detailed figures about unemployment. However, given the visible effects of the international economic crisis, it may have calculated that it was best to release this information, which is likely a significant under-estimate. End comment.

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